

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT) CASE NO.
FILING OF VALLEY GAS, INC.) 2021-00435

ORDER

On November 23, 2021, Valley Gas, Inc. (Valley Gas) filed, in accordance with its Purchased Gas Cost Adjustment (PGA) Tariff, its Gas Cost Recovery (GCR) rate report to be effective January 1, 2022. Along with its GCR rate report Valley Gas filed supplemental information as requested in the final Order of Case No. 2021-00344.¹ Valley Gas's previous GCR rate was approved in Case No. 2021-00344.

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.²

¹ Case No. 2021-00344, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC Oct. 4, 2021).

² KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Valley Gas's GCR report includes a revised rate designed to pass on to its customers its expected change in gas costs.

2. Valley Gas's GCR report sets out an Expected Gas Cost (EGC) of \$2.6107 per Mcf, which is a decrease of \$1.1473 per Mcf from the previous EGC of \$3.7580 per Mcf.

3. Valley Gas's GCR report sets out no Refund Adjustment.

4. Valley Gas's GCR report sets out a current quarter Actual Cost Adjustment (ACA) of \$2.1850 per Mcf. In the calculation of its current quarter ACA, Valley Gas reports a Unit Cost of Gas rate of \$133.9385 per Mcf for the month of August 2021.³ Valley Gas's monthly Unit Cost of Gas is based on the Total Cost of Volumes excluding Valley Gas's industrial customer, Mago Construction (Mago), divided by Total GCA Sales from the usage through city gate. Mago is not charged the GCR rate thus the usage and gas costs related to Mago are removed from Valley Gas's GCR rate calculation. Valley Gas sells the gas to Mago but its gas supplier Constellation Energy (Constellation) bills Valley Gas for the total usage in addition to transportation costs, reports on the usage through the City Gate, and manages the storage of natural gas volumes bought by Valley Gas. The invoices for August 2021 indicate a significantly lower usage through the city gate than reported in previous months resulting in a higher than average unit cost of gas. The Commission finds that the invoices provided by Valley Gas provide justification of the

³ The Total Cost of Volumes for August 2021 excluding Mago is \$10,405.01. The invoice from Constellation and the data sheet provided by Valley Gas indicate that the usage thru the city gate was 80 dth or 77.7 Mcf for the month of August 2021. Dividing the Total Cost excluding Mago by the usage through the city gate in Mcf produces a unit cost of gas of approximately \$133.9385 per Mcf.

current quarter ACA rate. However, the Commission finds that further investigation should be taken to investigate Valley Gas' GCR rate report filing, including its calculation methodology and report structure. The Commission approves the current quarter ACA subject to refund upon the close of investigation. In calculating its total ACA, Valley Gas failed to include the Third Previous Quarter ACA of \$0.5821 per Mcf that was approved by the Commission in Case No. 2021-00093.⁴ Correcting this produces a total ACA of \$3.4384 per Mcf, which is an increase of \$1.3655 per Mcf from its previous total ACA of \$2.0729 per Mcf.

5. Valley Gas's corrected GCR rate is \$6.0491 per Mcf, which is an increase of \$0.2182 per Mcf from the previous GCR rate of \$5.8309 per Mcf.

6. Notwithstanding the reasonableness of the rates approved herein, the Commission finds that this case should remain open to investigate the reasonableness of Valley Gas's GCR rate report filing, including its calculation methodology and report structure. The GCR rates approved in this Order shall be subject to refund upon the close of the investigation.

7. The rates set forth in the Appendix to this Order is fair, just and reasonable and should be approved for service rendered by Valley Gas on and after January 1, 2022.

8. Valley Gas's next GCR report should include all invoices received from Constellation for the prior calendar quarter. Valley Gas's future GCR reports should also include the additional information previously provided as a supplemental filing on June 13, 2018, in Case No. 2018-00177⁵ as it pertains to the calculation of the future GCR rate.

⁴ Case No. 2021-00093, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC Mar. 31, 2021).

⁵ Case No. 2018-00177, *Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC June 19, 2018).

9. Should Valley Gas purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

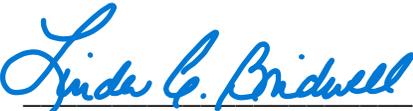
IT IS THEREFORE ORDERED that:

1. The rates proposed by Valley Gas are denied.
2. The rates set forth in the Appendix to this Order are approved for service rendered on and after January 1, 2022.
3. Valley Gas's future GCR reports shall include the information required in finding paragraph 8.
4. Within 20 days of the date of entry of this Order, Valley Gas shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rate approved herein and reflecting that it was approved pursuant to this Order.
5. This case shall remain open until the investigation of Valley Gas's GCR rate report filing, including its calculation methodology and report structure is closed.

By the Commission



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00435 DATED DEC 27 2021

The following rates and charges are prescribed for the customers in the area served by Valley Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

RATES:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
All Mcf	\$3.0061	\$6.0491	\$9.0552

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